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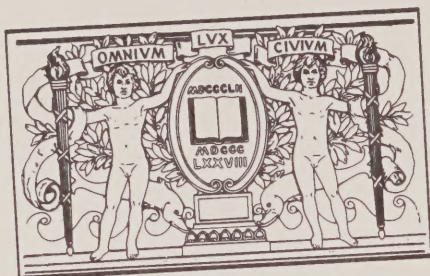
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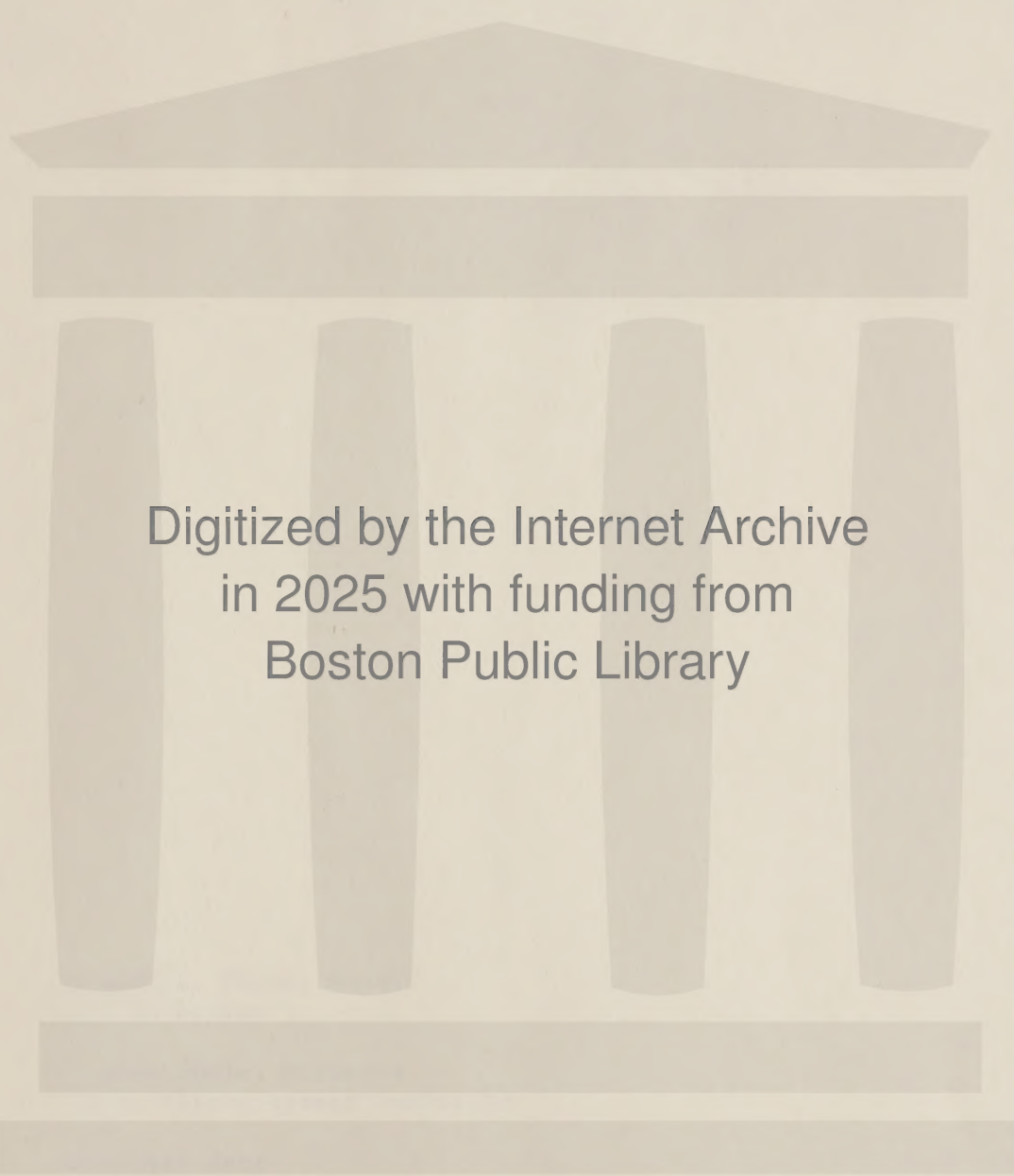
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BOSTON'S HOUSING NEEDS, 1985 - 2000

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## BOSTON'S HOUSING NEEDS, 1985 - 2000

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Summary - Introduction.

Between 1980 and 1965, Boston's population increased for the first time in forty years. This trend put an acute pressure on the demand for, and cost of, housing in the city. The driving forces behind Boston's population gain were many. A short list would include Boston's resurgent economy, strong growth in smaller households, demand by newcomers for convenient locations near work, the aging of Boston's "baby-boom" population into prime household formation years, and Boston's cheaper housing stock relative to that of the metropolitan area. Boston's quality housing is near completely full, while a limited supply of vacant and under-utilized housing remains. If Boston's population is to continue to grow, the addition and renovation of a large amount of new housing is a must.

Looking ahead to the year 2000, many of the forces behind Boston's population gain and strong housing market will continue. If supply meets demand, there could be as many as 109,000 more persons, and 50,000 new housing units in Boston. At the heart of this projection is the continued in-migration of the population due to an economy that will produce 10,000 new jobs per year over fifteen years. Development of new housing has already responded in 1985 - 1987, as nearly 3,400 units of housing have been started annually. There remains a supply of vacant land, and under-utilized land, to accommodate more for the future.

The purpose of this study was to estimate what the strongest demand for housing indicates regarding the number of new housing units required over the 1985 - 2000 fifteen-year time span.



BOSTON'S HOUSING NEED  
1980 - 2000 PROJECTION

|                           | 1980    | 1985    | 1990    | 1995    | 2000    |
|---------------------------|---------|---------|---------|---------|---------|
| Population                | 562,994 | 601,095 | 640,000 | 680,000 | 710,000 |
| Group Quarters Population | 39,518  | 49,595  | 52,000  | 54,000  | 56,000  |
| Household Population      | 523,476 | 551,500 | 588,000 | 626,000 | 654,000 |
| Household Size            | 2.40    | 2.45    | 2.40    | 2.35    | 2.30    |
| Households                | 218,457 | 228,838 | 245,000 | 266,383 | 284,348 |
| Vacancy Rates             | 9.47    | 8.17    | 7.00    | 6.00    | 5.00    |
| Vacant Units              | 22,847  | 20,359  | 18,441  | 17,003  | 14,966  |
| Housing Units             | 241,304 | 249,197 | 263,441 | 283,386 | 299,314 |

|                        |        |        |        |        |
|------------------------|--------|--------|--------|--------|
| 5 Yr. Increase         | 7,893  | 14,244 | 19,945 | 15,927 |
| Annual Increase (Net)  | 1,579  | 2,849  | 3,989  | 3,185  |
| 5 Yr. Replacement (2%) | 4,826  | 4,984  | 5,269  | 5,668  |
| Annual Replacement     | 965    | 997    | 1,054  | 1,134  |
| 5 Yr. Total            | 12,719 | 19,228 | 25,214 | 21,595 |
| Annual Total           | 2,544  | 3,846  | 5,043  | 4,319  |

Change 1980-85 and 1985-2000

|                                            | 1980-85 | 1985-2000 |
|--------------------------------------------|---------|-----------|
| Population                                 | 38,101  | 108,905   |
| Group Quarters Population                  | 10,077  | 6,405     |
| Household Population                       | 28,024  | 102,500   |
| Household Size                             | 0.05    | -0.15     |
| Households                                 | 10,381  | 55,510    |
| Vacancy Rates                              | -1.30   | -3.17     |
| Vacancy Units                              | (2,488) | (5,393)   |
| Total Housing Units (Net)                  | 7,893   | 50,117    |
| Annual Housing Units                       | 1,579   | 3,341     |
| Total Replacement and Rehab Housing Units  | 4,826   | 20,747    |
| Annual Replacement and Rehab Housing Units | 965     | 1,383     |



## The 1980 - 1985 Experience.

Boston experienced a rising tide of population in the five years from 1980 to 1985. Total population increased by 38,101 between these years primarily due to an influx of young adults and younger-aged population occurred. A consequence of this population gain was a housing market stretched to the limits as vacancies declined, rents increased, and housing costs soared.

There were two main influences behind Boston's population rise. The first was demographic. The nation's "baby-boom" aged population entered prime household formation years, and the consequence was a large number of smaller households. The second reason was economic. Boston's booming economy produced a record number of jobs in this period, stimulating the demand for proximate housing. These two factors combined to provide an increasingly tight housing market in the city during the early 1980's.

The population gain of 38,000 was split into two components. There was a 10,000 gain in group quarters population, and a 28,000 gain in regular household population. Median household size actually increased from 2.4 to 2.451 due to persons sharing more accommodations because of higher housing costs. The gain in households, therefore, reached 10,400. A fall in the vacancy rates was from 9.47 to 8.17 percent of all gross units. In total, vacant units fell by nearly 2,500 in the five-year period.

The record for 1980 - 1985 in housing production clearly reflected by the gain in population. In sum, Boston averaged over 2,500 units of new and replacement units annually in the five year period. A total of



7,900 new units were produced, while rehabilitated and re-occupied units totalled 4,800.

The increased housing production was a response to strong demand. A rising tide of new residential construction increased the pace even more strongly in 1986. The throw-away housing market of the 1960's and 1970's vanished.

#### The Future, 1985 - 2000.

The future of housing demand in Boston reveals a strong surge, through the year 2000. Total population has the potential to gain 109,000 over these fifteen years, as in-migration continues to increase, particularly among the young/middle-aged population, and minorities. The reaction of the housing market would be called upon to produce 50,000 net new housing units and 20,000 replacement units. In annual terms, this would be 3,300 new units a year, and 1,400 replacement units.

The largest question underlying this analysis is whether housing production can keep up with the anticipated demand. 710,000 population does represent a high-level population potential met only if housing was produced. There are reasons to be optimistic about this potential: economically, Boston is expected to produce 10,000 new jobs annually through the year 2000, in-migration of young adults has occurred smartly thus far in the 1980's, housing production has responded well in the mid-1980's, and there are many vacant and underutilized plots and structures for future residential development. Working together, all of these factors can clear the market, with housing production meeting



demand.

The population gain over the fifteen-year period 1985 - 2000 primarily is expected to consist consist of household population as group quarters rise 6,500, and household population gains 102,500. Median household size may decline, from 2.45 in 1985 to 2.30 in 2000, consistent with national trends. The gain in the number of households may actually reach 55,500. Housing vacancy rates should continue to fall, from 8.17% in 1985, to 5.0% in 2000. In total, vacant units would decline by nearly 5,400, as most good units are fixed and recovered, and vacancies approach the normal frictional rate.

The record for 1985 - 2000 can be one of clear rise in population and gain in housing units. In sum, Boston could produce 50,000 new housing units, and replace 20,000 obsolete units. Annual totals for these production levels would mean 3,300 new units a year, and 1,400 replacement units.

#### Concluding Remarks.

The purpose of this study was to estimate the strongest demand for housing would be over the 1985 - 2000 time-period. Findings indicate that production of 3,300 new units of housing per year, plus replacement of 1,400 obsolete units, would be required.

Population projections have been done in another paper (see BCH Paper: The Future of Boston's Poor). An estimated population of 710,000 was based upon a rising birth rate, gradually declining death rate, and a large in-migration of population, particularly in the young adult and middle-aged adult years. It was primarily a continuation of



the 1980 - 1985 experience. For a detailed review of that population projection series, the separate paper may be referenced.

The housing component of the projection was based on estimates of household size, group quarters population, and housing vacancy rates. These factors were all determined to change as a result of national and local trends and forces.

The big question that arises is the likelihood of housing production meeting these high-target levels. Experience of the 1985 and 1986 years has shown that housing market production has responded to the demand given the dynamics of a tight market, including low vacancies and high rent levels. Housing market production could be sustained at strong levels given the continued population in-flow, which has been assumed. The large supply of under-utilized and vacant land to match future supply will help. Another question regards the probability of sustaining the needed affordable housing production as a thirty to forty percent share of total production, since housing market dynamics usually work at market rates. There is no doubt that there is presently a large demand for affordable housing, and that the big challenge will be for government and the private sector to produce such housing. In sum, housing production to meet local needs will be a big challenge in the future, but given continued strong population pressures, the market should respond, but may require strong government leadership and initiative.













